

**CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY (the “Authority” or “CHFFA”)**

No Place Like Home (“NPLH”) Program

Resolution No. 2019-05

August 29, 2019

Executive Summary

PURPOSE OF THE REQUEST

The California Department of Housing and Community Development (“HCD”) is requesting the Authority approve the execution and delivery of certain bond documents for the NPLH Program.

NPLH OVERVIEW

The Legislature authorized the creation of the NPLH Program in 2016 through Assembly Bills 1618 and 1628, which were then approved by the California electorate under Proposition 2 in 2018 (collectively, the “NPLH Act”). In brief, the NPLH Act authorizes HCD to establish and administer the NPLH Program and make awards to California counties to assist them in preventing and addressing homelessness by investing in the development of permanent supportive housing for persons who are experiencing homelessness, chronic homelessness or who are at risk of chronic homelessness, and who are in need of mental health services. The NPLH Act also authorizes the Authority to issue up to \$2 billion in revenue bonds from time to time and to enter into a service contract with HCD to provide certain services pursuant to the NPLH Program.

SUMMARY OF THE AUTHORITY’S ROLES & RESPONSIBILITIES

- Enter into a Service Contract with HCD
- Make monthly payments (not to exceed \$140 million per year or such greater amount as authorized by law) to HCD for providing services under a Service Contract
- Issue bonds under the Master Indenture and Supplemental Indentures from time to time as requested by HCD
- Loan proceeds of the bonds to HCD under the Loan Agreement (and amendments thereto)

PRIOR ACTIONS

At the August 24, 2017 board meeting, the Authority approved Resolution No. 2017-05 (the “Original Resolution”), authorizing, among other actions, the issuance of up to \$2 billion in bonds as well as the execution and delivery of certain bond documents for the NPLH Program, including the Original Service Contract, Master Indenture, Supplemental Indenture, and Loan Agreement.

With the passage of Proposition 2 in November 2018, which ratified the NPLH Act and the issuance of bonds by the Authority, HCD has now begun implementing the NPLH Program. As such, HCD has requested the Authority to issue the first tranche of bonds in an amount of approximately \$500 million.

Due to the nature of the use of the bond proceeds, the Authority will designate the bonds as “Social Bonds”. Social Bonds are bonds whose use of proceeds are for new and existing projects with positive social outcomes. Social Bonds may follow the Social Bond Principles promulgated by the International Capital Market Association and are framed by four core components: (1) use of proceeds; (2) process for project evaluation and selection; (3) management of proceeds; and (4) reporting.

DOCUMENTS FOR APPROVAL

Service Contract (CHFFA and HCD)

Under the Original Resolution, a form of the Original Service Contract between CHFFA and HCD was approved. This Service Contract incorporates certain changes as a result of voter approval Proposition 2.

Bond Purchase Agreement (CHFFA as Issuer, California State Treasurer as Agent for Sale, and the Underwriters)

The Bond Purchase Agreement provides for the sale of the bonds to the Underwriters, specifies terms for payment of the purchase price, contains representations and warranties of CHFFA, and contains conditions precedent to the Underwriters’ obligation to purchase the bonds at closing.

Preliminary Official Statement

A Preliminary Official Statement provides disclosure to potential bond investors.

RECOMMENDATION

Staff recommends the Authority approve Resolution Number 2019-05 authorizing the execution and delivery of the Service Contract, Bond Purchase Agreement, and Preliminary Official Statement, among other matters.

Financing Team
for
No Place Like Home Program

Borrower: California Department of Housing and
Community Development

Borrower's Counsel: State of California Business, Consumer
Services, and Housing Agency

Agent for Sale: California State Treasurer

Issuer's Counsel: Office of the Attorney General

Trustee: California State Treasurer

**Issuer's and California State Treasurer's
Municipal Advisor:** Montague DeRose and Associates, LLC

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel: Nixon Peabody LLP

Joint Senior Managing Underwriters: Citigroup Global Markets Inc.
Raymond James & Associates, Inc.

Co-Senior Managing Underwriters: Backstrom McCarley Berry & Co., LLC
Rice Financial Products Company

Co-Managing Underwriters: To be selected by the California State Treasurer

Underwriter's Counsel: Norton Rose Fulbright US LLP

Rating Agencies: Moody's Investors Service, Inc.
Standard & Poor's Financial Services, LLC
Fitch Ratings, Inc.

RESOLUTION NO. 2019-05

**RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING
AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A SERVICE
CONTRACT, A BOND PURCHASE AGREEMENT AND CERTAIN OTHER
DOCUMENTS RELATED TO THE NO PLACE LIKE HOME PROGRAM AND
CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

WHEREAS, the California Health Facilities Financing Authority (the “Authority”) is a public instrumentality of the State of California created by the California Health Facilities Financing Authority Act (as amended from time to time, the “CHFFA Act”);

WHEREAS, in 2004, the people of the State of California passed Proposition 63 (“Proposition 63”), which established the Mental Health Services Act (as amended from time to time, the “MHS Act”) imposing a 1% tax on that portion of a taxpayer’s taxable personal income that exceeds \$1,000,000 (the “Tax”);

WHEREAS, consistent with, and to further the purposes of, the MHS Act, in 2016, the State Legislature enacted Part 3.9 of Division 5 of the California Welfare and Institutions Code (as amended through the date hereof and as it may be further amended, the “NPLH Act”), creating the No Place Like Home Program (the “NPLH Program”);

WHEREAS, following the original enactment of the NPLH Act in 2016 and subsequent amendments in 2017, the State Legislature enacted the No Place Like Home Act of 2018, and the voters of the State of California approved Proposition 2 in November 2018, which ratified the NPLH Act as being consistent with and in furtherance of Proposition 63 and approved all of the provisions of the NPLH Act, as well as the issuance by the Authority of the hereinafter referenced Bonds, for purposes of Section 1 of Article XVI of the California Constitution;

WHEREAS, under the NPLH Act, the Authority and the Department of Housing and Community Development (“HCD”) are authorized to enter into a service contract for HCD to provide certain services described in the NPLH Act, including developing, administering and operating the NPLH Program pursuant to the NPLH Act to provide permanent supportive housing for the target population;

WHEREAS, pursuant to Section 15463 of the CHFFA Act, the Authority is authorized to issue up to two billion dollars (\$2,000,000,000) of bonds (exclusive of refunding bonds) from time to time for the purpose of (a) financing permanent supportive housing pursuant to the NPLH Program, (b) funding necessary reserves for principal and interest, capitalized interest, credit enhancement or liquidity costs, costs of issuance, and administrative expenses under Section 5849.4 of the California Welfare and Institutions Code, (c) reimbursing loans under Section 5849.14 of the California Welfare and Institutions Code, and (d) refunding bonds previously issued for the purposes described in (a), (b) and/or (c) or for the purpose of refunding such bonds (collectively, the “Financing Purposes”);

WHEREAS, pursuant to Section 15463 of the CHFFA Act, the Authority may make secured or unsecured loans to HCD from the proceeds of such bonds for the Financing Purposes;

WHEREAS, by Resolution No. 2017-05 (the “Original Resolution”) adopted by the Authority on August 24, 2017, the Authority authorized, among other actions, the issuance of one or more series of Bonds (as defined in the Original Resolution) in an aggregate principal amount not to exceed \$2,000,000,000 (exclusive of refunding bonds), and the execution by the Authority of the Indenture, a Supplemental Indenture, the Loan Agreement and the Service Contract, all as provided in the Original Resolution (the Service Contract approved by the Original Resolution is referred to herein as the “Original Service Contract”);

WHEREAS, the Authority intends that this Resolution not amend or change in any way the Original Resolution;

WHEREAS, given the approval by the voters of the State of California of Proposition 2 after the adoption of the Original Resolution, the Authority proposes to authorize the execution of a revised form of service contract for the development, administration and operation of the NPLH Program (as amended or supplemented from time to time, the “Service Contract”), with HCD, pursuant to which HCD provides services for the NPLH Program and the Authority pays Service Contract Payments (as defined in the Service Contract) to HCD as consideration for the provision of these services;

WHEREAS, the Authority now desires to approve a form of bond purchase agreement and preliminary official statement and related matters;

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

SECTION 1. The proposed forms of the following documents:

- (i) Service Contract;
- (ii) Bond Purchase Agreement, including the exhibits thereto, relating to the Bonds (the “Purchase Agreement”), among Citigroup Global Markets Inc. and Raymond James & Associates, Inc., on behalf of the underwriters named in the Purchase Agreement as finally executed (the “Underwriters”), the Treasurer, as agent for sale, and the Authority, and approved by HCD; and
- (iii) Preliminary official statement relating to the Bonds (the “Preliminary Official Statement”);

are hereby approved in substantially the forms on file with the Authority prior to this meeting, and the Executive Director of the Authority (including any Acting Executive Director, the “Executive Director”) is hereby authorized and directed to execute each such document, for and in the name of and on behalf of the Authority, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein as may be required by any credit or liquidity facility provider or rating agency) as the officer executing the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Service Contract and the Purchase Agreement and by delivery thereof in the case of the Preliminary Official Statement. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

SECTION 2. The Authority is authorized to designate the first series of Bonds as “Social Bonds” funding “Social Projects” within the meaning of such terms in the Social Bond Principles promulgated by the International Capital Market Association, updated as of June 2018.

SECTION 3. The Underwriters are hereby authorized to distribute a Preliminary Official Statement for the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance. The Executive Director is hereby authorized and directed to deliver in connection with the Preliminary Official Statement a certificate in a form acceptable to the signatory thereof, to the effect that the Preliminary Official Statement is deemed final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (which may be based on various certificates from other State departments or agencies). The Underwriters are hereby directed to deliver the final official statement (the “Official Statement”) to all actual purchasers of such Bonds.

SECTION 4. The Authority hereby delegates to the Executive Director the power to execute and the power to deliver any amendment to the Service Contract provided that such amendment (A) is made in accordance with the terms of the Service Contract, (B)(i) does not require bondholder consent pursuant to the terms of the Service Contract or any other agreement to which the Authority is a party, if applicable, or (ii) any required consent has been acquired or (iii) such amendment, by its own terms, shall become effective only upon acquiring such consent, (C) does not provide for any additional material duties of or costs to the Authority, other than costs that will be reimbursed no later than the effective date of the amendment, and (D) does not modify any provision for payment to the Authority except for payments that are assigned by the Authority to the Trustee or any other third party pursuant to the Service Contract.

SECTION 5. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things, which they may deem necessary or advisable to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Original Resolution and the Service Contract, the Purchase Agreement and the Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds.

SECTION 6. The Chairperson of the Authority or any deputy to the Chairperson, acting singly, is hereby authorized to execute and deliver each and every document the Executive Director has been delegated the power to execute and deliver pursuant to this Resolution. The Chairperson may act by and through a deputy in connection with the delegations and authorizations under this Resolution.

SECTION 7. The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution. Nothing herein amends or changes the Original Resolution.

SECTION 8. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____